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Title: **Needs & Redistribution Technical Working Group**

Paper: **NR TWG 16/23 – Transport cost drivers**

Date: **Thursday 10th November 2016 (12:30pm)**

Venue: **DCLG - 2 Marsham Street - Fry Building - 4th Floor - Room 4C**

**POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY**

**Local Authorities Transport Spend**

While local transport spend covers a number of different areas and this can vary from authority to authority depending on local circumstances, there are three principal areas of (revenue) spend undertaken by local authorities. These are:

* Routine highways maintenance
* Supporting bus services
* Concessionary bus travel (reimbursement)

**Routine highways maintenance**

Routine highways maintenance spend covers activities such as vegetation cutting, drain and gulley cleaning and minor, temporary repairs to carriageway surfaces. It also covers winter maintenance eg road salt and the operation of gritting machines.

The 2013-14 relative needs formula looks at road length, usage and winter maintenance. The full formula is given at Annex A

We believe the principal cost drivers for routine highways maintenance are:

* The cost of oil
* Wages
* Cost of aggregates
* Weather (snow days/forecast snow days)

A relationship exists between the amount of capital and revenue expenditure on highways maintenance and an optimum balance does exist. In recognising this relationship there may need to be some way in which the revenue formula (element of highways maintenance) can reflect varying levels of capital grant/ investment.

**Supporting bus services**

Outside of London the bus market is deregulated and the vast majority of services are operated on a commercial basis. Bus operators determine their own routes, set the level of fares and take the fare-box. Local authorities then commission and pay for ‘socially necessary’ services to ‘plug the gaps’ in the network/timetable. These socially necessary services are likely to be uncommercial rural services, late night services, extension of commercial routes from town centres to other services eg hospital, school, etc. Local authorities have a duty to consider providing these services under the Transport Act 1985.

Bus support is one of the services included in the 2013-14 County-Level Environmental, Protective and Cultural Services Relative Needs Formula. The full formula can be found at Annex B.

The reduction to the London element reflects:

1. that responsibility for public transport support in London lies with Transport for London; and
2. the provision of some services by the Greater London Authority which were formerly provided by the Common Council of the City of London and London borough councils.

We believe the principal cost drivers for supported bus services are:

* Rurality – rural bus services tend to be uncommercial and therefore many are supported by their local authority in some form. Urban bus services tend to be much more commercially viable given the higher population densities in urban areas.
* Change in Demographics – principally the projected rise in the number of older people is likely to have an effect for demand and a related effect on costs, assuming the current concessionary bus pass scheme stays in place (see below). However it is worth noting that young people are a large ‘bus user’ demographic and if there are significant changes projected in this demographic this should be considered.

Autonomous and connected vehicles and the advent of ‘Mobility as a Service’ products may well have a significant impact on this market. However it is too early to judge exactly what form this may take and the time horizons somewhat uncertain. For this reason we do not intend to make judgements about the potential impacts this technology may have costs.

In addition, there is funding for Local Transport Services within the Grant Rolled In Using Tailored Distributions. The formula for these can be found at Annex C.

**Concessionary bus travel (reimbursement)**

The English National Concessionary Travel Scheme (ENCTS) allows free off- peak local bus travel to older and eligible disabled people in England. Under the ENCTS, eligible concessionaires are entitled to free travel on local bus services between 9.30am and 11.00pm on weekdays and all day at weekends and on Bank Holidays.

Local authorities also have powers to offer further concessions, such as earlier start times, however, these are not funded centrally but by the authorities themselves and are generally only valid within the authority boundaries.

Almost £1 billion p/a is spent on ENCTS with about 81% of this on the ENCTS and the remaining 19% on discretionary schemes.

Eligibility for ENCTS is based on age or disability. For older people, this means the age of retirement or pensionable age. At present, the age of eligibility for the State pension is gradually rising for women from 60 to 65, to match the current eligibility age for men. This will be completed by 2018, following which the age for both will be raised further, to 66, by 2020.

Reimbursement is paid by local authorities to bus operators for carrying concessionary passengers. The main principle which applies to reimbursement is that bus operators should be financially 'no better and no worse off' as a result of concessionary travel.

The 2013-14 relative needs formula is given at Annex D.

The cost drivers are:

* The ageing demographic – the projected number of eligible older people is due to rise significantly in future years. This is likely to have a significant impact on the costs of reimbursement.

**Annex A: 2013-14 Highway Maintenance RNF**

***Basic amount***

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| --- | --- |
| **HIGHWAY BASIC AMOUNT** | 74.2538 |

***Top-ups***

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| **USAGE TOP-UP** | 7.1527 *multiplied by* **TRAFFIC FLOW**; *plus*0.5317 *multiplied by* **DAYTIME POPULATION PER KM** |
| **WINTER MAINTENANCE TOP-UP** | 0.3042 *multiplied by* **DAYS WITH SNOW LYING**; *plus*0.6844 *multiplied by* **PREDICTED GRITTING DAYS** |

The full formula used to calculate the Highway Maintenance element is:

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| Highway Maintenance |
| (a) | **WEIGHTED ROAD LENGTHS** *multiplied by* the result of:**HIGHWAY BASIC AMOUNT**; *plus***USAGE TOP-UP**; *plus***WINTER MAINTENANCE TOP-UP**; |
| (b) | The result of (a) is *multiplied by* **AREA COST ADJUSTMENT FOR HIGHWAY MAINTENANCE;** |
| (c) | The result of (b) is then *multiplied by* the scaling factor given in Annex E for the Highway Maintenance service block. |
| (d) | The result of (c) is then *divided by* 10,000,000,000. |

where:

| **WEIGHTED ROAD LENGTHS** | The sum of: |
| --- | --- |
| (i) | **Principal built‑up roads** *multiplied by* 2; and |
|  | (ii) | **Principal non built‑up roads**; and |
|  | (iii) | **Other built‑up roads** *multiplied by* 2; and |
|  | (iv) | **Other non built‑up roads**. |
|  | Each of the types of roads in (i) to (iv) above is as defined below for **UNWEIGHTED ROAD LENGTHS.** |
| **TRAFFIC FLOW** | The result of: |
|  | (i) | The annual average flow of all motor vehicles (in millions) during 2009, 2010 and 2011 on principal roads for which the authority is the highway authority, except those roads that are detrunked, as estimated by the Secretary of State for Transport. The flows in each year are then averaged; *plus* |
|  | (ii) | 100 *multiplied by* the annual average flow of heavy goods vehicles, buses and coaches (in millions) during 2009, 2010 and 2011 on principal roads for which the authority is the highway authority, except those roads that are detrunked, as estimated by the Secretary of State for Transport. The flows in each year are then averaged. |
|  | For all authorities, the Secretary of State for Transport has also applied the above formula as he thinks appropriate to take account of traffic flows on substantial lengths of road which became principal roads for which the authority was the highway authority in the financial year beginning 1 April 2012 and in respect of which there was no significant change to the local road network or to the flow of traffic following the change in status of the road. |
| **DAYTIME POPULATION PER KM** | The sum of: |
| (i) | The total resident population at 30 June 2011, as estimated by the Office for National Statistics; *plus* |
|  | (ii) | *Either the result of:*The number of persons working but not resident in the authority’s area *minus* the number of persons resident in but working outside the authority’s area, as estimated by the Secretary of State using information from the 2001 Census;  |
|  |  | *or* **zero**, whichever is the greater; *plus* |
|  | (iii) | The annual average number of nights stayed by domestic and foreign visitors in the authority’s area, *divided* by 365, as estimated by the Secretary of State |

The result of the above is then divided by **unweighted road lengths** (as defined below)

*Overnight visitors*

The estimate at (iii) is generally based on information from the United Kingdom Tourism Surveys (2002 to 2010), for domestic visitors; and from the International Passenger Surveys (2009 to 2011) and the 1991 Census, for the apportionment only, of foreign visitors.

| **UNWEIGHTED ROAD LENGTHS** | The sum of: |
| --- | --- |
| (i) | **Principal built‑up roads:** the length (in kilometres) of principal roads that are subject to a speed limit not exceeding 40 miles per hour and principal motorways; and |
|  | (ii) | **Principal non built‑up roads:** the length (in kilometres) of principal roads that are not subject to a speed limit of 40 miles per hour or less, but excluding principal motorways; and |
|  | (iii) | **Other built‑up roads:** the length (in kilometres) of all other roads that are subject to a speed limit not exceeding 40 miles per hour; and |
|  | (iv) | **Other non built‑up roads:** the length (in kilometres) of all other roads that are not subject to a speed limit of 40 miles per hour or less, |
|  | where the lengths of principal roads relate to the position at 1 April 2012, as estimated by the Secretary of State for Transport. The roads are those for which the authority is the highway authority. These road lengths exclude those roads that are detrunked. |
|  | The lengths of roads have been adjusted, as the Secretary of State for Transport considers appropriate, to reflect any change in responsibility for the maintenance of roads between the local authority and the Department for Transport, between 1 April 2012 and 1 April 2013 which was agreed by the Secretary of State for Transport on or by 1 October 2012 and involves a net adjustment of at least one kilometre of road length for the local authority. These road lengths exclude those roads that are detrunked. |

| **DAYS WITH SNOW LYING** | The annual average number of days with snow lying at 09.00 hours during 1978 to 1990 inclusive, as estimated by the Secretary of State on the basis of information from the Meteorological Office. |
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| **PREDICTED GRITTING DAYS**  | The annual average number of days where gritting would have been predicted, using the Meteorological Office Open Road Index (MOORI), generally averaged over the 10 most recent winters up to and including 2001-02 where data are available, as estimated by the Secretary of State.  |
| **AREA COST ADJUSTMENT FOR HIGHWAY MAINTENANCE** | A factor calculated to reflect differences in the cost of highway maintenance across the country. The factor is given in Annex G. It is generally based on information derived from the following sources: the 2009, 2010 and 2011 Annual Survey of Hours and Earnings provided by the Office for National Statistics; 2007 Annual Business Inquiry Part 2 provided by the Office for National Statistics; 2008 Small and Medium Enterprise statistics provided by the Department for Business, Innovation and Skills; Subjective Analysis Return 2005-06 and 2007-08; Trading Services Revenue accounts 2007-08; Revenue Outturn forms (RO2) 2007-08; rateable values per square metre for offices in administrative areas in England and Wales from the VOA statistical release Business Floorspace 2012; gross non-domestic rates and increases and reductions in rate yields, as supplied by authorities to the Secretary of State on the National Non-Domestic Rates Provisional Contributions Return 2010-11; an applicable sample of publicly available company accounts; and the total resident population as at 30 June 2011, as estimated by the Office for National Statistics. |

**Annex B: 2013-14 County-Level EPCS Relative Needs Formula**

***Basic amount***

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| **COUNTY SERVICES EPCS BASIC AMOUNT** | 6.6566 |

***Top-ups***

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| **COUNTY SERVICES EPCS DENSITY TOP-UP** | 0.1622 *multiplied by* **POPULATION DENSITY** |
| **COUNTY SERVICES EPCS SPARSITY TOP-UP** | 0.7157 *multiplied by* **POPULATION SPARSITY** |
| **COUNTY SERVICES EPCS ADDITIONAL POPULATION TOP-UP** | 4.2499 *multiplied by* **NET** **IN-COMMUTERS**; *plus*7.0817 *multiplied by*  **DAY VISITORS** |
| **COUNTY SERVICES EPCS DEPRIVATION TOP-UP** | 25.4938 *multiplied by* **UNEMPLOYMENT RELATED BENEFIT CLAIMANTS**; *plus*19.8285 *multiplied by* **INCOME SUPPORT/ INCOME BASED JOBSEEKER’S ALLOWANCE/ GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS**; *plus*9.9136 *multiplied by* **INCAPACITY BENEFIT AND SEVERE DISABLEMENT ALLOWANCE** ; *plus*3.5818 *multiplied by* **COUNTRY OF BIRTH OF RESIDENTS** |

The full formula used to calculate the *RNF* element for these services is:

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| Services provided predominantly by county councils in non-metropolitan areas |
| (a) | **PROJECTED POPULATION** **IN 2013** *multiplied by* the result of:**COUNTY SERVICES EPCS BASIC AMOUNT**; *plus***COUNTY SERVICES EPCS DENSITY TOP-UP**; *plus***COUNTY SERVICES EPCS SPARSITY TOP-UP**;  |
| (b) | **COUNTY SERVICES EPCS ADDITIONAL POPULATION TOP-UP**; *plus***COUNTY SERVICES EPCS DEPRIVATION TOP-UP** |
| (c) | The results of (a) and (b) are added together and that result is then *multiplied by* **AREA COST ADJUSTMENT FOR ENVIRONMENTAL, PROTECTIVE AND CULTURAL SERVICES;** |
| (d) | For London boroughs and the Common Council of the City of London, the result of (c) is then *multiplied by* 0.81134; for all other authorities the result of (c) remains the same. |
| (e) | The result of (d) is then *multiplied by* the scaling factor given in Annex E for these services; |
| (f) | The result of (e) is then divided by 10,000,000,000. |

Where:

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| **PROJECTED POPULATION IN 2013** | The projected total resident population in 2013, as estimated by the Office for National Statistics and published on 28 September 2012. |
| POPULATION DENSITY | The sum of the number of residents per hectare for each Output Area (OA) within the area of the authority at the 2001 Census *multiplied by* that OA's share of the total usually resident population in the authority for each authority. This sum is then *multiplied by* the ratio of the total resident population at 30 June 2011 (as estimated by the Office for National Statistics) to the 2001 Census resident population. This result is then *divided by* 10. |

Output Areas were introduced by the Office for National Statistics as the smallest units of output for the 2001 census. In England and Wales they have a minimum size of 100 residents and 40 households. They are based on census day postcodes and fit within the boundaries of 2003 statistical wards (and parishes).

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| POPULATION SPARSITY  | The population sparsity of each local authority measured at Output Area level. The sum of: |
| (i) | 3 *multiplied by* the resident population of those Output Areas within the area of the authority at the 2001 Census with 0.5 or less residents per hectare, *divided by* the total resident population of the authority, calculated using information from the 2001 Census; and |
|  | (ii) | The resident population of those Output Areas within the area of the authority at the 2001 Census with more than 0.5 but less than or equal to 4 residents per hectare, *divided by* the total resident population of the authority, calculated using information from the 2001 Census. |

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| **NET IN-COMMUTERS** | *Either the result of*:The number of persons working but not resident in the authority’s area *minus* the number of persons resident in but working outside the authority’s area, as estimated by the Secretary of State using information from the 2001 Census; |
|  | *or* **zero**, whichever is the greater. |
| **DAY VISITORS** | The annual number of day visitors to the authority's area, *divided by* 365, as estimated by the Secretary of State using information provided by the Secretary of State for Culture, Media and Sport. |
|  | The estimate for day visitors is based on research commissioned by the former Department of National Heritage generally using information from the Leisure Day Visits Survey 1988-89, the 1991 Census, the 1991 Survey of Visits to Tourist Attractions undertaken by the National Tourist Boards, the 1991 Census of Employment and other information about urban areas, National Parks, areas of outstanding natural beauty and official bathing beaches. The information used for this purpose is that available to the former Secretary of State for National Heritage on 1 November 1993. |
| **INCAPACITY BENEFIT AND SEVERE DISABLEMENT ALLOWANCE**  | The average number of people receiving Incapacity Benefit, Severe Disablement Allowance or Employment and Support Allowance, over a period between May 2009 to February 2012, using twelve quarterly scans for this period, as estimated by the Secretary of State for Work and Pensions. |

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| **INCOME SUPPORT/ INCOME BASED JOBSEEKER’S ALLOWANCE/ GUARANTEE ELEMENT OF PENSION CREDIT CLAIMANTS** | The number of Income Support/ Income based Jobseekers Allowance/ Guarantee Element of Pension Credit claimants, over a period between:a) May 2009 and February 2012, using twelve quarterly scans for this period, for Income Support/ Guarantee Element of Pension Credit claimants, *and*b) August 2009 and August 2011, using scans made at the end of August of each year, for Income based Jobseekers Allowance claimants,as estimated by the Secretary of State for Work and Pensions. |

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| **UNEMPLOYMENT RELATED BENEFIT CLAIMANTS** | The average number of claimants of unemployment-related benefits, currently Jobseeker's Allowance and National Insurance credits, over the period between May 2009 and April 2012, calculated using monthly information provided by the Office for National Statistics through NOMIS. |
| **COUNTRY OF BIRTH OF RESIDENTS** | The proportion of residents who were born outside the UK, the Republic of Ireland, Ireland (part not specified), Channel Islands and Isle of Man, EU Countries, Canada, USA, Australia and New Zealand, calculated using information from the 2001 Census. The figure is adjusted using the resident population at 30 June 2001, as estimated by the Office for National Statistics and published on 9 September 2004. |
| **AREA COST ADJUSTMENT FOR ENVIRONMENTAL, PROTECTIVE AND CULTURAL SERVICES** | A factor calculated to reflect differences in the cost of providing the relevant services across the country. The factor is given in Annex G of the Calculation of 2013/14 Formula Funding. It is generally based on information derived from the following sources: the 2009, 2010 and 2011 Annual Survey of Hours and Earnings provided by the Office for National Statistics; 2007 Annual Business Inquiry Part 2 provided by the Office for National Statistics; the 2008 Small and Medium Enterprise statistics provided by the Department for Business, Innovation and Skills; Subjective Analysis Return 2005-06 and 2007-08; Trading Services Revenue accounts 2007-08; Revenue Outturn forms (RO5) 2007-08; rateable values per square metre for offices in administrative areas in England and Wales from the VOA statistical release Business Floorspace 2012; gross non-domestic rates and increases and reductions in rate yields, as supplied by authorities to the Secretary of State on the National Non-Domestic Rates Provisional Contributions Return 2010-11; an applicable sample of publicly available company accounts; and the total resident population as at 30 June 2011, as estimated by the Office for National Statistics. |

**Annex C: Local Transport Funding**

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| Local Transport Services |
| (a) | The sum of:the 2010/11 allocations of the Road Safety Grant, as estimated by the Secretary of State. The estimate is generally derived from the Road Safety Grant allocations as allocated by the Department for Transport and paid in the 2010 Area Based Grant by the Department for Communities and Local Government. The 2010/11 Road Safety Grant for the Integrated Transport Authorities, including where an authority has acted as the lead authority for the area, has been divided between their constituent authorities as a common amount per head of their resident population at 30 June 2009, as estimated by the Registrar General; *plus* |
|  | the 2010/11 allocations of the Rural Bus Subsidy, as estimated by the Secretary of State. The estimate is generally derived from the Road Safety Grant allocations as allocated by the Department for Transport and paid in the 2010 Area Based Grant by the Department for Communities and Local Government. The 2010/11 Road Safety Grant for the Integrated Transport Authorities has been divided between their constituent authorities as a common amount per head of their resident population at 30 June 2009, as estimated by the Registrar General; *plus* |
|  | the 2010/11 allocations of the Detrunking Grant for each authority as allocated by the Department for Transport and paid in the 2010 Area Based Grant by the Department for Communities and Local Government |
| (b) | The sum for all authorities of the result of (a) |
| (c) | The result of (a) *divided by* the result of (b) *multiplied by* £80,000,000 |

**Annex D: 2013-14 Concessionary Travel Relative Needs Formula**

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| Concessionary Travel |
| (a) | **MODELLED CONCESSIONARY BUS BOARDINGS** is *multiplied by* the scaling factor given in Annex E for *Concessionary Travel*. |
| (b) | The result of (a) is then divided by 10,000,000,000. |

Where:

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| **MODELLED CONCESSIONARY BUS BOARDINGS**  | The annual number of concessionary bus boardings by older and disabled people, as estimated by the Secretary of State for Transport.The estimate for modelled concessionary bus boardings uses information derived from the following sources: mid-2009 and mid-2010 population estimates; rural/urban status classifications; the Annual Population Survey; the Public Service Vehicle Operator Survey; the Light Rail Operators Survey; the National Public Transport Data Repository and vehicle registration statistics. The coefficients for these data inputs are based on analysis of data from the DfT National Travel Survey. |